

State of Colorado
Oil and Gas Conservation Commission

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NOTICE OF ALLEGED VIOLATION - ISSUED

Per Rule 522, the Director has reasonable cause to believe that a violation of the Act, or of any Commission rule, order, or permit has occurred, the Director will require the operator to remedy the violation and may commence an enforcement action seeking penalties by issuing a Notice of Alleged Violation (NOAV). Per Rule 523, an operator who violates the Act, or a Commission rule, order, or permit may be subject to a penalty imposed by Commission order.

OPERATOR INFORMATION

OGCC Operator Number: 10059

Name of Operator: PETRO MEX RESOURCES

Address: PO BOX 6724

City: FARMINGTON State: NM Zip: 87499-6724

Contact Name and Telephone:

Name: Linn Wilson

Phone: (505) 486-5557 Fax: ()

Email: linn_wilson@sisna.com

Well Location, or Facility Information (if applicable):

API Number: 05-077-08830-00

Facility or Location ID: _____

Name: FEDERAL

Number: 1-15-8-101

QtrQtr: NWNW

Sec: 15

Twp: 8S

Range: 101W

Meridian: 6

County: MESA

ALLEGED VIOLATION

Rule: 317.e

Rule Description: Casing and Cement Program

Initial Discovery Date: _____

Was this violation self-reported by the operator? No

Date of Violation: _____

Approximate Time of Violation: _____

Was this a discrete violation of obvious duration? No

Description of Alleged Violation:

Pursuant to Rule 317.e., the casing and cement program for each well must prevent oil, gas, and water from migrating from one formation to another behind the casing. Ground water bearing zones penetrated during drilling must be protected from the infiltration of hydrocarbons or water from other formations penetrated by the well. Petro Mex Resources (Operator) conducted an MIT on the Federal 1-15-8-101 well, API 077-08830, (Well) on June 16, 2015 that demonstrated the Well lacked mechanical integrity (Document #400856785). COGCC staff was present on June 16, 2015 to conduct an MIT inspection for the Well (Document #675201685). According to Document #675201685, the Well was pressured up to 75 psi, the test failed as the Well could not hold pressure, and water returned to surface on the outside of the casing. According to the Drilling Completion Report for this Well (Document #2091771), there is not a surface casing set on the Well and a Cement Bond Log has not been run to demonstrate zonal isolation. Based on a review of the Induction Log of the nearby offset well Coal Gulch #2, API 077-08012, (Document #921218) there may be usable groundwater at a shallow depth of 300 to 400 feet in the area, but the Operator failed to run a casing and cement program on this Well to prevent water migration, violating Rule 317.e. Document #675201685 included a Corrective Action requiring Operator to repair or plug and abandon the Well by December 16, 2015.

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 12/16/2015

Proper and timely abatement does not preclude the assessment of penalties and an Order Finding Violation.

Operator shall repair and perform a successful MIT or plug and abandon the Well.

Rule: 326.f

Rule Description: All Wells Shall Maintain Mechanical Integrity

Initial Discovery Date: _____

Was this violation self-reported by the operator? No

Date of Violation: _____

Approximate Time of Violation: _____

Was this a discrete violation of obvious duration? No

Description of Alleged Violation:

Pursuant to Rule 326.f., a well that lacks mechanical integrity, as determined by a mechanical integrity test (MIT), shall be repaired or plugged and abandoned. Petro Mex Resources (Operator) conducted an MIT on the Federal 1-15-8-101 well, API 077-08830, (Well) on June 16, 2015 that demonstrated the Well lacked mechanical integrity (Document #400856785). COGCC staff was present on June 16, 2015 to conduct an MIT inspection for the Well (Document #675201685). Document #675201685 included a Corrective Action requiring Operator to repair or plug and abandon the Well by December 16, 2015. On June 23, 2015, Operator submitted a Form 6, Notice of Intent to Abandon, requesting approval to abandon the Well (Document #400857149). On July 1, 2015, COGCC staff approved Document #400857149. COGCC staff contacted Operator by electronic mail correspondence on February 25, 2016 requesting an update and Operator responded on March 15, 2016 to indicate the Well was not plugged and abandoned but would be in May 2016. During an inspection on May 5, 2016, COGCC staff confirmed that the Well has not been plugged or abandoned (Document #675202795). To date the Well has not been plugged or abandoned as required by rule and COGCC Corrective Action required inspection reports, violating Rule 326.f.

Abatement or Corrective Action Required to be Performed by Operator: _____

Corrective Action Due Date: 12/16/2015**Proper and timely abatement does not preclude the assessment of penalties and an Order Finding Violation.**

Operator shall repair and perform a successful MIT or plug and abandon the Well.

PENALTY

Penalties for violations alleged in this NOAV will be calculated pursuant to Rule 523, with daily penalties accruing pursuant to Section 34-60-121(1), C.R.S.

ANSWER

Pursuant to Rule 522.d.(2), the operator must file an Answer to this NOAV within 28 days of its receipt, or a default judgement may be entered. Hard copy answers are filed with the Commission Secretary at the Commission's Denver office and should also be emailed to dnr_cogccenforcement@state.co.us.

NOAV ISSUEDNOAV Issue Date: 02/07/2017

COGCC Representative Signature: _____

*Steven Mah for Craig Burger*COGCC Representative: Craig BurgerTitle: Northwest EngineerEmail: craig.burger@state.co.usPhone Num: (970) 625-2497x2**ATTACHMENT LIST**

View Attachments in Imaged Documents on COGCC website (<http://ogccweblink.state.co.us/>) - Search by Document Number.

Document Number	Description
401204473	NOAV COVER LETTER
401204475	NOAV CERTIFIED MAIL RECEIPT

Total Attach: 2 Files